

ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES OF AMERICA

v.

JEFFREY WATTS (01)
a/k/a "Jeff Watts"

Criminal No.

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JUL 23 2014
CLERK, U.S. DISTRICT COURT
By _____ Deputy

4:14-CR-146-Y

FACTUAL RESUMEINFORMATIONCount One - Wire Fraud, in violation of 18 U.S.C. § 1343.PLEA:Count One - Wire Fraud, in violation of 18 U.S.C. § 1343.PENALTY:

The penalties the Court can impose include:

- a. imprisonment for a period not more than 20 years;
- b. a fine not to exceed \$250,000, or twice the amount of criminally derived property involved in the transaction(s);
- c. a term of supervised release of not more than three years, which may be mandatory under the law and will follow any term of imprisonment. If the Defendant violates the conditions of supervised release, he could be imprisoned for the entire term of supervised release;
- d. a mandatory special assessment of \$100;
- e. restitution to victims or to the community, which may be mandatory under the law, and which Defendant agrees may include restitution arising from all relevant conduct, not limited to that arising from the offense of conviction alone; and

f. costs of incarceration and supervision.

ELEMENTS OF THE OFFENSE:

In order to find the defendant guilty of the charged offense of wire fraud in violation of 18 U.S.C. § 1343, a jury would have to be convinced that the government proved each of the following beyond a reasonable doubt:

- First: That the defendant knowingly created a scheme to defraud as set out in the information;
- Second: That the defendant acted with a specific intent to defraud;
- Third: That the scheme to defraud employed false material representations; and;
- Fourth: That on or about the date alleged in Count 1 of the information, the defendant used interstate wire communications facilities for the purpose of carrying out the scheme.

STIPULATED FACTS:

From in or about the fall of 2011, and continuing through in or about December 2013, the defendant, Jeffrey Watts, engaged in a scheme and artifice to defraud involving oil and gas investments. Watts presented himself as the founder and principal of Blue Alpha Energy, falsely representing to investors that the company had invested in oil and gas wells in Texas owned and/or operated by Arrowhead Productions, a legitimate, but unrelated company.

Arrowhead Productions was a Fort Worth based company owned by S.M. Information pertaining to the Arrowhead Productions wells and their productivity was publically available through the Texas Railroad Commission.

Watts established Blue Alpha Energy and a group of related limited partnerships and other entities merely as sham entities to perpetrate his scheme to defraud by leading investors to believe that they were investing in oil and gas wells owned and/or operated by Arrowhead Productions, as follows:

- (a) Watts purchased or formed a shell company in Wyoming called Arrowhead Leasing Group LLC, which was authorized to conduct business in Texas under the name of Arrowhead LG, LLC, which sounded closely related to the legitimate Arrowhead Productions.
- (b) Watts represented to investors that Arrowhead LG, LLC was an assumed name or "d/b/a" of Arrowhead Productions, and possessed documents that bore the purported signature of S.M., as the President of Arrowhead LG, LLC.
- (c) In addition to Arrowhead Leasing Group LLC and Arrowhead LG LLC, Watts created and used several other companies to further his scheme to defraud, including EVBA LLC and Semcorp LLC. Watts falsely portrayed these companies to be legitimate, third party lenders or investors in his alleged oil and gas interests. Watts also transferred investor funds between these accounts and the accounts of the Blue Alpha Energy limited partnership accounts.

Watts falsely represented to investors that they would receive monthly distributions corresponding to their ownership percentage in oil and gas wells owned and/or operated by Arrowhead Productions. He also duped his business partners and employees into

believing his fraudulent representations, causing them to disseminate printed investment information to unwittingly convey his misrepresentations.

To keep the fraudulent scheme going, Watts made monthly payments to investors in Blue Alpha Energy, using investor funds transferred between bank accounts of the sham entities he controlled. The financial records of the sham entities showed no transactions reflecting royalty payments or distributions from Arrowhead Productions, and no deposits related to the sale of oil or gas. The financial records indicated that all the payments to the investors originated from funds that the investors themselves paid to Blue Alpha Energy or one of its related entities.

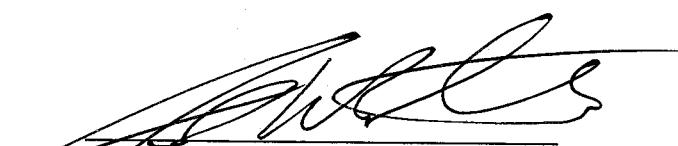
Between 2011 and 2013, approximately \$5.8 million in investments was raised from approximately 45 investors for the various partnerships. However, in December 2013, several investors in Blue Alpha Energy learned that Watts never had investment agreements with Arrowhead Productions and, in fact, funneled the investor funds into the sham business entities that he controlled.

M.D., a resident of the state of New Jersey, invested \$50,000 in a Blue Alpha Energy limited partnership known as Blue Alpha Energy III LP. On February 28, 2013, M.D. sent what he believed to be an investment via wire transfer from an account at Merrill Lynch (part of Bank of America) in New York to a bank account in the name of Blue Alpha Energy III LP, located at Chase Bank in Texas, to which Watts was a signatory. As a result of this payment, between April 2, 2013, and November 5, 2013, M.D. received approximately eight payments from Blue Alpha Energy purporting to be returns on the

investment.

Specifically, on or about February 28, 2013, in the Fort Worth Division of the Northern District of Texas and elsewhere, defendant Jeffrey Watts, for the purpose of executing and attempting to execute the scheme and artifice to defraud and to obtain money by means of materially false or fraudulent pretenses or representations, knowingly caused to be transmitted in interstate commerce, by means of a wire communication, certain signs and signals, that is: Watts caused M.D. to transfer \$50,000, which was transmitted via interstate wire, from M.D.'s account at Merrill Lynch in New York to an account controlled by Watts at Chase Bank in Texas, in that, one of Watts' partners, relying on Watts' fraudulent misrepresentations, led M.D. to believe that the payment was for a legitimate investment in Arrowhead Productions when, in fact, it was not.

AGREED AND STIPULATED on this 7th day of July 2014.



JEFFREY WATTS
Defendant



PETER FLEURY
Counsel for Defendant